

ANNUAL REPORT 2019

*Partnering*  
WITH OUR  
*Communities*



AltaOne donated to Adventist Health Tehachapi Valley Hospital's Healing Courtyard

Sponsor of Dia de los Muertos, Bakersfield

Lori Brock Discovery Center,  
STEAM Town, Kern  
County Museum



## Board of Directors Receive NAFCU Certified Volunteer Expert Certification



## Chair and President's Message

### *"Your Community Partner"*

A new vision statement for a new era. AltaOne Federal Credit Union exists because of its over fifty thousand members and the support of the communities it serves. However, we cannot do it alone. We cannot be the community's choice without returning to our roots: Partnering with you, your families, and the communities in different ways that are helpful and make sense to you.

For over 70 years, AltaOne's roots grew from the financial needs and dreams of our members and their families within the Indian Wells Valley. And today, the credit union has grown to offer important services over 11 locations stretched from the Southern and Western tips of Kern County up through the Eastern Sierra corridor toward the Nevada border. Whether it was a car for a recent graduate, a vacation RV, a new home, or planning for future retirement or a special occasion, AltaOne worked with members to realize their financial goals and objectives.

Financial Wellness was key to our 2019 mission. By evolving our approach, we worked more together and partnered with the communities. From offering budgeting tools and information through our important partnership with GreenPath, holding member seminars, working with small business and employers to offer financial literacy classes to their staff, launching the AltaCares initiative to open the conversation with more members to get in front of potential issues, partnering with the Kern County Superintendent of Schools Financial Literacy Program, reaching out to important educational leaders within Ridgecrest, Tehachapi, Bakersfield and beyond, AltaOne participated in expanding financial wellness and literacy.

As a result of working together, financial dreams were realized and the credit union was able to help over 5,000 members obtain consumer loans, while exceeding its home loan goals by over 20%, and with membership growing slightly. Our efforts in working together also led to decreases in charge-offs over prior years.

The July 2019 earthquakes emphasized our mission of being a community partner. The AltaOne team members outside of the Ridgecrest area reported to Corporate on July 6 to be of help. They brought food, water and necessary supplies to the many citizens of the area who were impacted by the quakes. Working with local agencies including Red Cross, the credit union sponsored a large agency-wide event at AltaOne Corporate so that area residents could get information and resources. AltaOne even partnered with local financial institutions, and Kern County

**CONTINUED ON THE NEXT PAGE**

# Chair and President's Message

area credit unions offering grants to qualified applicants seeking small earthquake assistance. With a shifting economy, Risk Management was also important in 2019. The aftermath of the earthquake brought increased fraudulent attempts on members and area residents. The credit union identified these schemes and managed them aggressively. During the year, the credit union also strengthened its credit card program and distributed EMV cards to the membership while beginning a several months long project, into 2020, to upgrade its ATM network across all locations. Internal fraud and loss efforts with an expanded team and knowledge resulted in over a 40% decline in fraud losses and continues to be a positive impact today.

Continued risk and proactive loss management of legacy loans continues as a main focus as our team improves credit quality of the credit union's portfolio. Governance of the credit union continued as the board of directors took its mandate seriously and earned National Credit Union Volunteer Expert certifications. These efforts and more contribute to the strengthened management foundation of the credit union that is being leveraged into 2020's challenges brought on by the COVID-19 pandemic.

Our mission continues to be clear. We continue to work to earn your support through continuously improving our service, our products and services, and through instilling a culture of accountability in our team. Now, we embark on a new path to redefine the "new normal" in banking brought on by the pandemic. Thank you for supporting the credit union that has been rated as "Well Capitalized" by its regulators. We look forward to serving you by continuing to be "Your Community Partner".

**Margie Hannon**, Chair, Board of Directors  
**Pam Easley**, President/CEO

### Board of Directors

- Margie Hannon..... Chair
- Jay Chun ..... Vice Chair
- Shirley Kennedy..... Secretary
- Elaine Janson ..... Interim Treasurer
- Don Cortichiato ..... Member
- Norman Alexander..... Temporary Appointee

### Supervisory Committee

- John Little..... Chair
- Christina Giraldo ..... Secretary
- Ty Staheli..... Member
- Jim Hoover..... Member

### Senior Management Team

- Pam Easley..... President/CEO
- Moritz Wohanka ..... CFO
- Denise Mattice ..... SVP Operations
- John Curl ..... Treasurer

### Member Service Center Leaders

- Colleen Bulgarelli..... Kernville, Lake Isabella
- Jessica Davidson ..... Tehachapi
- Juan Villalobos ..... Bakersfield-Ming
- Janelle Hockenbrocht ..... Corporate
- Carol Hooks ..... Boron, California City
- Corinna Korpi ..... Bishop
- Vickie Guinn ..... Bakersfield-Riverwalk
- Valerie Diggs..... Lone Pine

# Partnering WITH OUR Communities

## Treasurer's Report

As the current interim Treasurer, I would like to assure all members that your credit union remains firmly committed to the safe and sound management of its assets on behalf of its loyal member-owners.

During 2019, management placed greater focus on the lower-cost transactional account segments of the deposit base which resulted in 1.33% increase in regular share account balances to \$264.8 million. Real Estate and Direct Auto lending increased by 1.2% and 8.3%, respectively.

In an effort to reduce risk to the credit union, less emphasis on Indirect, non-member, Auto lending was placed leading to a decrease in the credit union's loan-to-share ratio to 82.3% (2019) from 87.3% in 2018; however, these loss mitigation efforts led to a decline in loan delinquencies to .84% from 1.09% from the prior year, while Net Charge Offs rose to \$7.5 million from \$6.9 million to proactively recognize credit losses.

While AltaOne ended 2019 at \$612.7 million in total assets, down slightly by 2.37% from 2018, continued focus on risk management was at the core throughout the year. The result of these efforts earned the credit union regulatory recognition as having improved credit quality greatly through these loss management efforts.

Through stronger cost controls, operating expense totaling \$26.7 million reflected a slight decrease of \$75 thousand from the prior year. While a majority of expense categories reflected cost savings, the credit union began its migration to EMV chip cards for the membership, while upgrading its operating software and leveraging evolved technology to counteract fraud and losses tied to non EMV compliant ATMs. The results of these efforts will yield dividends toward decreasing losses in the years ahead.

2019's total Net Income, while a decline of \$744 thousand from 2018, stood at \$1.6MM resulting in a lower Return-on-Assets of .26% but improved the credit union's net worth to 10.54% versus 9.94% achieved in 2018.

Therefore, according to the NCUA's guidelines, AltaOne Federal Credit Union remains a "Well Capitalized" institution.

**Elaine Janson**, Interim Treasurer

### Accomplishments

Increased Net Worth  
Decreased Loan Delinquency  
Increased Mortgage Lending



AltaOne employees and their families help unload donated supplies during the 2019 earthquakes in Ridgecrest and Trona.

# Supervisory Committee Report

The Board of Directors appoints up to five volunteers to the Supervisory Committee each year. These volunteers are AltaOne members from your community who have professional experiences, personal convictions, and overall qualities that will help ensure the decisions and actions of the Board of Directors and the Management team adequately safeguard the membership's assets.

In 2019, the Supervisory Committee commissioned RSM US LLP to conduct independent operational audits in key areas of: financial performance and accounting practices; access and network security; and regulatory and legislative compliance. Supervisory Committee members directly reported the results of their supervision to the Board of Directors, noting the resolving of concerns. The Supervisory Committee also commissioned the organization's annual external CPA audit, performed by Moss Adams LLP.

During 2019, the Supervisory Committee observed an overall sound business strategy as observed through constant monitoring, and the external auditing of AltaOne's activities. The "well capitalized" position, as determined by the National Credit Union Administration (NCUA) federal regulatory examination, is a direct result of consistent performance management and expense controls. This consistent oversight helps ensure your Credit Union's ability to weather future economic, regulatory or environmental challenges while maintaining sound internal controls and, of course, to better serve our member-owners and the communities AltaOne serves.

**John Little, Chair**



Seemore Savings, AltaOne's CUB Club mascot visits Casa Superhero Run in Bakersfield.



Earthquake donations are carried by Vu, and Selene to the Red Cross Shelter at the Kerr McGee Center in Ridgecrest.

**Financials—Audited**  
**Year Ending December 31, 2019**  
**Dollars in Thousands**  
**Statement of Income**

**OPERATING INCOME**

Income from Loans.....	\$25,833
Income from Investments.....	2,622
<b>Total Interest Income</b> .....	<b>28,455</b>
Dividend Expense.....	1,397
Interest on Borrowings .....	-
<b>Net Interest Income</b> .....	<b>27,058</b>
Non-Interest Income .....	7,821
Provision for Loan Loss .....	6,513
<b>Total Operating Income</b> .....	<b>\$28,366</b>

**NON-INTEREST EXPENSES**

Employee Compensation .....	\$9,846
Employee Benefits .....	2,080
Office Occupancy.....	2,764
Office Operations .....	4,610
Loan Servicing .....	4,778
Other Non-Interest Expenses .....	2,656
<b>Total Non-Interest Expenses</b> .....	<b>26,734</b>
<b>Net Income</b> .....	<b>\$1,632</b>

**Statement of Financial Condition**  
**ASSETS**

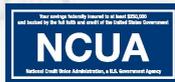
Loans to Members .....	\$445,014
Allowance for Loan Losses.....	(6,733)
<b>Net Loans</b> .....	<b>438,281</b>
Cash and Equivalents.....	13,647
Investments .....	122,472
Land & Buildings (Net of Depreciation) .....	9,526
Other Fixed Assets (Net of Depreciation).....	4,054
All Other Assets.....	24,743
<b>Total Assets</b> .....	<b>\$612,723</b>

**LIABILITIES & EQUITY**

Liability.....	\$6,808
Members Savings.....	541,317
Net Capital.....	64,599
<b>Total Liabilities &amp; Equity</b> .....	<b>\$612,723</b>

**Statement of Changes in Retained Earnings**  
**EQUITY CAPITAL**

Balance Beginning of Year.....	\$62,401
Net Income (Loss) .....	1,632
Unrealized Investment Gain/(Loss).....	566
<b>Balance Year End</b> .....	<b>\$64,599</b>



**Member Service Centers**

Ridgecrest.....	(760) 371-7000
Corporate: 701 South China Lake Boulevard	
China Lake-Base: 1115 King Avenue	
Bakersfield: 6501 Ming Avenue .....	(661) 397-2555
Bakersfield: 11211 River Run Boulevard.....	(661) 664-2515
Bishop: 462 North Main Street .....	(760) 873-5626
Boron: 27055 Twenty Mule Team Road.....	(760) 762-5650
California City: 9601 California City Boulevard.....	(760) 373-8472
Kernville: 44 Big Blue Road .....	(760) 371-7000
Lake Isabella: 5946 Lake Isabella Boulevard.....	(760) 379-4671
Lone Pine: 111 Mt. View Road.....	(760) 876-4702
Tehachapi: 775 South Tucker Road .....	(661) 823-9942

**(760) 371-7000 | TOLL-FREE (800) 433-9727**

**AltaOne.org**